

# Template for Proposing a Change Request to the SEPA Request-to-Pay (SRTP) Scheme

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**Please submit change requests via e-mail to [srtp@epc-cep.eu](mailto:srtp@epc-cep.eu) by 26 February 2021 close of business**

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| <b>For information:</b>             | This template is provided by the EPC to allow any stakeholder to submit a change request for making a change to the SRTP scheme rulebook in accordance with the rules set out in the document 'EPC014-20 v1.0 SEPA Request-to-Pay Scheme Rulebook' which can be downloaded via <a href="https://www.europeanpaymentscouncil.eu/document-library/rulebooks/sepa-request-pay-rtp-scheme-rulebook">https://www.europeanpaymentscouncil.eu/document-library/rulebooks/sepa-request-pay-rtp-scheme-rulebook</a> |



# 1. Change request details

## 1.1 Description of the change request:

GLEIF notes the inclusion of the Legal Entity Identifier (LEI) as an optional field for the identification of non-regulated Request-to-Pay Service Providers (RTP SPs) in the onboarding process. With this change request, GLEIF proposes the EPC make the LEI mandatory in the processes of identifying and certifying non-regulated RTP SP applicants in the onboarding process.

## 1.2 The nature of the change request (Deletion / Replacement / Addition / Extension):

GLEIF suggests the EPC mandate and prioritize the usage of the LEI in the onboarding, identification and certification process for non-regulated RTP SP applicants, rather than the other optional identifiers “BIC” and “Identifiers issued by each SEPA country”. While the BIC and LEI are already mapped together via a SWIFT and GLEIF collaboration and so could be considered as equally acceptable identifiers, exclusive use of the LEI as a global unique identifier for legal entities will enable participants and the EPC to more efficiently establish business processes associated with the receipt and processing of the RTP SP information.

## 1.3 Rationale for the change request:

Conducting an efficient and accurate identification of non-regulated RTP SPs is the foundation for a secure, efficient, and transparent Request-to-Pay implementation. It is crucial to know if an applicant RTP SP is indeed who it claims to be. Identification of these entities might not mean only verifying their basic business card information (legal name, trade register number, legal address), but also their corporate structure. As mentioned in the Rulebook, this is especially important for RTP SPs which are not Payment Service Providers (PSPs).

Exclusive use of the LEI, a globally recognized standard for unique legal entity identification, will provide numerous benefits for the EPC and recipients of the RTP SP information.



Regarding benefits for the EPC, exclusive use of the LEI enables the EPC to establish a simplified process for determining the nature and legal eligibility of the RTP SP applicants. If multiple identifiers are used the EPC must create business processes specific to each identifier, taking into account the governance and validation rules associated with each identifier's management protocol as well as the reference data associated with each identifier. This is especially relevant given national identifiers are currently acceptable identifiers for non-regulated RTP SPs. The use of national identifiers leads to fragmentation within the EU and SEPA. Given the EPC is a pan-European association, the use of global standards helps achieve the goal of interoperability and, GLEIF suggests, should be preferred to national ones. This will contribute further to European harmonization. Furthermore, regarding the use of the BIC, the EPC would need to establish workflows based on the entity legal form as not all entities are eligible to have a BIC. Therefore, GLEIF suggests the EPC would benefit from the exclusive use of the LEI as a global unique identifier accessible to all legal entities. EPC would also benefit from the strong governance structure of the Global LEI System which involves a [group of 71 public regulators](#) including many EU member state authorities, European supervisory authorities and the Commission.

Benefits for recipients of the RTP SP information, especially private sector participants, are similar. Forward looking to the scheme implementation for the private sector starting from June 2021, the LEI could facilitate the interoperability of RTP message exchanges, improve data aggregation capabilities, enhance interoperability, and foster innovation in the European payments landscape. Recipients of the RTP SP information can build simplified business processes leveraging the LEI as the unique identifier rather than establishing different business processes depending on the identifier used for the RTP SP.

Taking further consideration of the compliance cost of utilising multiple identifiers for both private sector participants and regulators, multiple identifiers causes confusion and inconsistency in information exchange which ultimately slows down business processes. We have witnessed other regulations taking a similar implementation approach – allowing for reporting of multiple identifiers – ultimately abandon this framework for utilising exclusively the LEI to identify legal entities. For example, the Australian Securities and Investments Commission (ASIC) is in the process of updating reporting requirements in respect of OTC derivative transaction reporting for non-individuals to exclude other identifiers such as the Business Identifier Code (BIC) and AVID (issued by Avox Limited) and utilise exclusively the LEI. GLEIF notes that the EPC is the standards-setting body for scheme implementation, however, the logic in regard to reducing compliance cost by utilising a single identifier is also relevant for organizations implementing or participating in the schemes.

GLEIF recognizes the LEI is included as one of the identifiers accepted for non-regulated RTP SPs, together with the BIC, and identifiers issued by each SEPA country (e.g. enterprise number / trade register number). GLEIF's proposal in making the LEI as mandatory and the preferred tool for identification is elaborated as follows:



1. The level 1 'business card' information associated with the LEI includes the trade register number which is firstly supplied by legal entities and then verified by the LEI issuers with the local Registration Authorities (e.g. national business registers). GLEIF publishes the [Registration Authorities List](#), which contains more than 700 local registers. LEI issuing organizations, accredited by GLEIF through a rigorous accreditation process, must ensure the cross reference to the local authoritative source is standardized and included in the LEI record. This cross reference to a local authoritative source serves to connect the global identity of the RTP SP to its local identity thereby enabling global interoperability through the LEI and a link to the local source for further due diligence. By leveraging the open and publicly accessible Global LEI Repository, EPC could verify the RTP SP applicant in an easy, standardized and machine-readable fashion. After performing these very foundational steps of identity confirmation and verification the EPC could move to the next step: evaluation of this applicant for the RTP certification.
2. Each LEI contains information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'. The GLEIF API enables users to automate access to the LEI and its reference data and is a globally accepted protocol for accessing identity information for legal entities, including basic business card (level 1) data, parent relationship (level 2) data, and moreover, LEI - mapped identifiers such as BIC and ISIN codes. It gives developers access to the full LEI Data search engine functionality, including filters, full-text and single-field searches of legal entities and ownership data. GLEIF thinks this would largely smooth the process of identifying non-regulated RTP SP applicants for the EPC and reduce due diligence efforts significantly.
3. GLEIF acknowledges that the BIC is widely used for the identification of SEPA payment scheme participants. GLEIF mapped the EPC SEPA scheme participants lists to the LEI via the open source [BIC-to-LEI relationship files](#) provided by GLEIF and SWIFT. The result shows that over 90% of SEPA scheme participants already have an LEI. This proves that the LEI is already a widely used identifier for PSPs in other SEPA schemes. By leveraging the LEI as the unique identifier for non-regulated RTP SPs this levels the playing field and ensures that all SEPA participants can be consistently identified via one global identifier. Furthermore, GLEIF would like to remind that BICs are not a source of unique legal entity identification like the LEI. BICs are assigned also to sub-divisions within a legal entity, such as departments, branches and trading desks. For example, a multinational corporate might have hundreds of subsidiaries worldwide, and the subsidiaries might also have many sub-divisions. However, the BIC assigned to the sub-divisions do not enable identification of the affiliated legal entities. Given the EPC aims to ensure legal certainty about the applicant RTP SP before the certification, the LEI is the only natural solution.



4. GLEIF recognizes the possibility and plausibility that the BIC and the LEI could be utilised simultaneously for identifying non-regulated RTP SPs, however, it would in the end bring extra burden for applicants, the EPC and recipients of the RTP SP information. In particular for the applicants, applying for an LEI is a fast and convenient process, and it would only bring extra economic benefits and cost-saving for their existing business processes, instead of burdensome administrative efforts of registering for another single-use identifier. GLEIF currently has [39 accredited LEI issuers](#) worldwide which provide services in over 200 jurisdictions. Non-regulated RTP SP applicants can easily find accredited LEI issuers in their local jurisdiction and obtain a LEI at minimal cost.
5. Forward looking towards the RTP scheme implementation for private sector participants, e.g., payers and payees initiating and conducting request-to-pay messages, including the LEI in the RTP ecosystem would largely enhance interoperability, so as to reduce participants' effort for technical infrastructure investment. Especially when it comes to RTP message cancellations and rejections, participants could conduct the reconciliation with the involved non-regulated RTP SPs more easily by leveraging a consistent global identifier for the RTP SPs.

#### 1.4 Impact on the SRTP scheme (Yes/No + explanation concrete impact):

Making the LEI as mandatory and prioritized means that non-regulated RTP SP applicants have to provide their LEI codes when they apply to be RTP SPs. This is merely a minor change to the scheme, which would not affect the existing messaging standards being used in RTP message exchanges nor the RTP participants from technical point of view.

#### 1.5 Impact on the SRTP scheme implementation guidelines (Yes/No + explanation concrete impact):

The LEI is included as an applicable data field in the messaging standards in the SRTP scheme implementation guidelines. Making the LEI mandatory and prioritized as well for the onboarding process would be a minor change to the implementation guidelines.

#### 1.6 Additional information

Lastly, GLEIF would like to provide an update on recent developments of the LEI in payments.



The Reserve Bank of India recently announced its LEI mandate for all entities involved in payment messages for transactions over 50 crores (approximately 5,5 million Euros) in its Real Time Gross Settlement and National Electronic Funds Transfer systems.

In the [Stage 2 Report published by the Financial Stability Board \(FSB\)](#), the LEI is suggested as a unique identifier for precisely identifying the beneficiary and originator in payment messages. As part of the *“Focus area D: Increase data quality and straight-through processing by enhancing data and market practices”*, the Report highlighted that poor data quality and limited standardization of data exchange make cross-border payments more complex to process, in turn affecting their speed, price and transparency. Promoting the adoption of common message formats directly mitigates the friction around fragmented and truncated data. And in its concluding [Stage 3 report of the FSB](#) the LEI features prominently as part of the solution for making cross-border payments cheaper, more accessible, and transparent for all parties.

As part of the implementation of the Stage 3 report, GLEIF continues to work with the FSB for further adoption of the LEI in cross-border payment messages.